

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

FIRST QUARTER
ENDED September 30, 2020
(Unaudited)



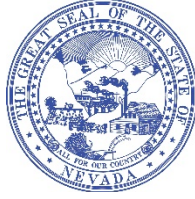
CATHERINE BYRNE, CPA
STATE CONTROLLER

CARSON CITY, NV

CATHERINE BYRNE, CPA
Controller

STATE OF NEVADA

LORI HOOVER, CPA
Chief Deputy Controller



**OFFICE OF THE
STATE CONTROLLER**

February 25, 2021

The Honorable Steve Sisolak
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Sisolak:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ended September 30, 2020.

Sincerely,

A handwritten signature in black ink that reads "Catherine Byrne".

Catherine Byrne, CPA
State Controller

CB: ss

Office of the Governor (1)
Governor's Office of Finance (2)
Nevada State Treasurer (1)
Nevada Tax Commission (1)
Division of State Lands (1)
Department of Conservation (1)
State Library and Archives (12)

STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET
September 30, 2020
(Unaudited)

Assets	9/30/2020
Cash and cash equivalents	\$ 45,614,445
Accrued interest	
Investments	441,447
Treasurer's Interest Distribution	78,248
Total accrued interest	519,695
Receivables	
Land sales	1,973,419
Fines and penalties	516,180
Purchased interest	31,944
Total receivables	2,521,543
Investments	
Fixed income securities	180,786,725
Equity securities	175,893,970
Total investments	356,680,695
Other Assets	
Due from component unit (NCIC)	23,696,503
Total Assets	\$ 429,032,881
Liabilities	
Due to (from) the Distributive School Account	\$ 38,262,666
Due to heirs	2,342,404
Total liabilities	40,605,070
Fund Balances	
Nonspendable: permanent fund principal	388,427,811
Total Liabilities and Fund Balances	\$ 429,032,881

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Quarter Ended and Fiscal Year to Date as of September 30, 2020
(Unaudited)

Revenues	<u>Quarter Ended</u>
Fines - State Penal Laws	
Justice Courts	\$ 1,062,955
District Courts	125,394
Municipal Courts	<u>260,163</u>
Total fines	1,448,512
Investment income (loss)	13,591,808
Land sales	3,000,050
Escheated estates	541,229
Miscellaneous	<u>4,556</u>
Total revenues	<u>18,586,155</u>
Other Financing Sources (Uses)	
Transfer (to) from Distributive School Account	<u>(13,591,808)</u>
Net change in fund balances	<u>4,994,347</u>
Fund balances, beginning of period	382,918,704
Fund balance restatement	<u>514,760</u>
Fund balances, beginning of period (as restated)	<u>383,433,464</u>
Fund balances, end of period	<u><u>\$ 388,427,811</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation:

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

Cash and Cash Equivalents:

Cash and Cash Equivalents consist of cash with treasurer and investments that mature within three months of acquisition and are readily convertible to known amounts of cash.

Treasurer's Interest Accrual:

Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its pro rata share of average daily cash balances. For the quarter ended September 30, 2020, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$22,799,928 and funds held by the State Treasurer earned interest at an effective rate of 1.4 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fund Balance:

Non-spendable fund balance cannot be spent, and represents the permanent fund principal which must remain in the fund in perpetuity under the State Constitution.

Revenues:

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The following illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues: (continued)

- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

Note 2 – COMMITMENTS AND CONTINGENCIES:

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding at any one time must not exceed \$40 million. Bond guarantees at September 30, 2020 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$19,560,000	\$8,740,000
Churchill	32,835,000	21,575,000
Douglas	17,500,000	14,860,000
Lincoln	5,759,300	3,583,400
Lyon	37,255,000	30,055,000
Mineral	2,500,000	2,100,000
Nye	37,220,000	29,410,000
Storey	4,720,000	3,320,000
Washoe	40,000,000	36,475,000
White Pine	<u>7,000,000</u>	<u>6,285,000</u>
 Total	 <u>\$204,349,300</u>	 <u>\$156,403,400</u>

Note 3 – ACCOUNTING CHANGES AND RESTATEMENTS:

The beginning fund balance was restated by \$514,760 to record an auditor adjustment to the Nevada Capital Investment Corporation and to recognize revenues deposited in the fourth quarter of fiscal year 2020 that were not recorded.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF CASH AND INVESTMENTS
September 30, 2020

	Interest Rate %	Maturity Date	Face Amount	Amortized Cost*	Fair Value
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	1.38			\$ 22,781,963	\$ 22,781,963
Dreyfus Inst Pref Gove MM	0.05			22,832,482	22,832,482
Total Cash and Cash Equivalents				<u>\$ 45,614,445</u>	<u>\$ 45,614,445</u>
Fixed Income Securities					
Farmer Mac	1.58	11/16/2020	\$ 12,500,000	\$ 12,325,542	\$ 12,498,875
Federal Farm Credit Bank	0.16	08/12/2021	10,000,000	9,999,225	9,999,900
Federal Farm Credit Bank	0.18	03/03/2021	10,000,000	9,992,350	9,995,800
Federal Farm Credit Bank	0.20	01/27/2022	15,000,000	15,000,000	14,996,700
Federal Home Loan Bank	2.25	06/11/2021	11,000,000	11,041,299	11,161,370
Federal Home Loan Bank	1.88	07/07/2021	13,220,000	13,391,868	13,394,240
Federal Home Loan Bank	2.63	12/10/2021	10,000,000	10,289,427	10,295,100
Federal Home Loan Bank	0.15	10/02/2020	10,000,000	9,999,998	10,000,000
Federal Home Loan Bank	2.38	09/10/2021	10,000,000	10,278,552	10,210,800
Federal Home Loan Mtg Corp	0.50	10/27/2022	9,500,000	9,500,000	9,501,045
Federal Home Loan Mtg Corp	0.42	10/28/2022	15,000,000	15,000,000	15,004,800
Federal Home Loan Mtg Corp	0.34	11/21/2022	10,000,000	10,000,000	10,000,900
Federal Home Loan Mtg Corp	0.32	10/20/2022	10,000,000	10,000,000	10,005,700
Federal National Mtg Assn	2.50	04/13/2021	10,000,000	10,123,576	10,124,700
US Treasury Notes	1.13	02/28/2021	11,000,000	10,972,342	11,046,420
US Treasury Notes	1.75	12/31/2020	12,500,000	12,504,284	12,550,375
Total Fixed Income Securities			<u>\$ 179,720,000</u>	<u>\$ 180,418,463</u>	<u>\$ 180,786,725</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 103,113,066	\$ 138,665,745
Vanguard S&P Mid-Cap 400 Index Ist				22,951,467	24,052,308
Vanguard S&P Small-Cap 600 Index Ist				13,204,467	13,175,917
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 175,893,970</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 23,696,503</u>	

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter Ended and Fiscal Year to Date as of September 30, 2020

County	Quarter Ended
Carson City	\$ 17,849
Churchill	10,886
Clark	624,883
Douglas	24,197
Elko	76,809
Esmeralda	3,715
Eureka	2,576
Lander	408
Lincoln	5,695
Lyon	17,226
Mineral	473
Nye	38,419
Pershing	1,440
Storey	3,013
Washoe	208,029
White Pine	<u>27,337</u>
Total	<u><u>\$ 1,062,955</u></u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter Ended and Fiscal Year to Date as of September 30, 2020

County	Quarter Ended
Carson City	\$ 5,528
Churchill	2,463
Clark	61,600
Douglas	4,536
Elko	4,874
Humboldt	345
Lander	941
Lincoln	250
Lyon	2,399
Mineral	3,725
Nye	2,500
Pershing	2,000
Washoe	30,328
White Pine	<u>3,905</u>
Total	<u><u>\$ 125,394</u></u>